INTERNAL FINANCIAL CONTROL POLICY

Internal financial control is a risk management framework that manages the risk to the organization from error or fraud and therefore assists in the achievement of a Company's objectives. A system of internal financial controls will not remove all risk but is a means of managing risk and reducing the likelihood and consequence of adverse events. Internal financial control will be instrumental in: safeguarding Company's assets; ensuring reliability of both financial and non-financial reporting;

Internal controls cover areas including strategic management, business development, project management and finance. Internal financial controls, designed to assist the organization in addressing risk of fraud and error and improving reliability of financial reporting and compliance with laws, regulations and policies.

Types of Internal Controls:-

1. Detective: Designed to detect errors or irregularities that may have occurred.
2. Corrective: Designed to correct errors or irregularities that have been detected.
3. Preventive: Designed to keep errors or irregularities from occurring in the first place.

It is important that an internal control system addresses adequate separation of duties in the financial operations;

- Independent checks of changes to key master data files;
- Regular key reconciliations (e.g. reconciliation of bank account balance to amount showing in general ledger) which are independently reviewed; and
- Documentation and distribution of policies and procedures for all major activities.

In order to implement these controls Company should prepare an action plan. The controls which are most critical should be processed first and all timelines identified in the plan should be achievable. The action plan should be agreed to by all staff members responsible for specific tasks and should be a regular agenda item to the senior management team and Audit Committee meetings, until all controls have been completed.

INTERNAL CONTROL	ISSUES IDENTIFIED / COMMENTS	ACTION REQUIRED
Senior Finance Officer to review aged payables listing quarterly and investigate where appropriate.		Planned for implementation next quarter.
Manually raised orders are periodically sampled to ensure completeness.	Training of staff to input clear descriptions of goods and services.	Current practice although the description of goods/services being purchased should be more detailed.
Annual Budgets are approved by the appropriate level of management and in accordance with the Government Act.	This will require a more comprehensive Budget Schedule, which sets deadlines for the development of the Budget, etc and is strongly supported by management.	Management to present the annual budget to for its adoption.
Supplier master file data is periodically reviewed by management for accuracy and ongoing pertinence.	Reports available from the system may require upgrading.	To be reviewed by the Senior Finance Officer.
Management reviews debtors ageing profile on a regular basis and investigates any outstanding items		The Debtors Ageing profile is reviewed monthly and if greater than 120 days is forwarded to the Collection agency. This should be reviewed with the objective of reducing that time to 60 or 90 days.

What can happen when the internal control is weak or non-existent?

When we recommend improving controls within a department, we often hear three basic arguments for not implementing our recommendations:

1. There is not enough staff to have adequate segregation of duties.
2. It is too expensive.
3. The employees are trusted and controls are not necessary.

These arguments represent pitfalls to unsuspecting management. Each argument is in itself a problem that needs to be resolved.

Internal Control and Auditing

Open external communication channels allow stakeholders, including citizens, clients, and suppliers, to understand the company's service standards and provide valuable input on performance and service quality and effectiveness. This exchange enables to address evolving needs, demands, and preferences. Management should appropriately convert such input into continuous improvements in operations, reporting, and compliance.

Monitoring

Things change and, by monitoring the risks and the effectiveness of control measures on a regular basis, company can react dynamically to changing conditions. Monitoring evaluates the effectiveness of the company's internal controls and is designed to ensure that internal controls continue to operate effectively. Monitoring is effective when it leads to the identification and correction of control weaknesses before they materially affect the achievement of the company's objectives.

A company's internal control is most effective when there is proper monitoring, results are prioritized and communicated, and weaknesses are corrected and followed up on as necessary. There are two types of monitoring: ongoing and periodic. Ongoing monitoring occurs in the course of operations. It includes tasks such as supervisory reviews of reconciliations, reports, and processes. Periodic monitoring includes tasks such as periodic internal audit sampling and annual reviews of high-risk business processes. Internal control deficiencies uncovered by monitoring should be reported to higher levels of management.

Internal auditing is to:

1. Review operations or programs to ascertain whether results are consistent with established goals and objectives and whether the operations or programs are managed according to plan.

2. Review the management control system designed to ensure compliance with those policies, plans, procedures, laws, regulations, and contracts that could have a significant impact on operations. Also report whether the management control system is working as designed.

3. Review the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information.

4. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.

5. Appraise the economy and efficiency with which resources are employed.

6. Isolate problem areas and provide a means for corrective action before the problem affects operational efficiency.

7. Promote open communications and establish a positive relationship among the internal auditor, external auditor, agency staff, management, and audit committee and authority/board/committee/commission members as applicable.

Internal audits may be performed during or after a fiscal period. It serves as an important component of the management control system. The activities of an internal audit, whether performed during or after a fiscal period, may include:

• Consultation and education sessions to familiarize company staff with control activity responsibilities,

• Assisting agency staff in preparing for new processes or requirements,

• A review of company activities to serve as a basis for recommending improvements as necessary to aid in the accomplishment of company identified goals and objectives.

Each company should follow applicable procedures in this section in a timely manner. Additionally, each company should establish formal notification procedures to notify appropriate company personnel when someone suspects a loss of public funds or property.

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